MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM 2215)

DFA5034 – FINANCIAL ACCOUNTING 3

(All sections/Groups)

19 DECEMBER 2022
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 5 pages with 4 questions only.
2. Write your answers in the answer booklet provided.
3. Answer ALL questions.

QUESTION 1

Juicy Berhad purchases and sells orange juice. For the month of November 2022, the company recorded administrative expenses amounting to RM32,038 and operating expenses amounting to RM18,190. Followings are the purchases and sales for the month:

		Purchases		Sales	
November 2022		**Bottles**	**Unit cost (RM)**	**Bottles**	**Unit price (RM)**
1	Beginning inventory	2,500	5.00		
7	Purchase	4,000	6.30		
10	Sales			3,500	10.00
15	Sales			1,000	10.50
18	Purchase	5,000	6.50		
22	Sales			4,500	10.80
26	Purchase	5,000	6.60		
27	Sales			1,800	10.90

Required:

a) Assume that Juicy Berhad uses the periodic inventory system. Using the data provided above, prepare the followings for the month of November 2022:

i) A schedule to show the cost of goods sold and the value of ending inventory using the FIFO method. (6 marks)

ii) A schedule to show the net profit/loss for Juicy Berhad. (3.5 marks)

b) Assume that Juicy Berhad uses the perpetual inventory system. Using the data provided above, prepare a schedule to show the cost of goods sold and the value of ending inventory for the month of November 2022 using the average cost method. *(Show your workings)* (11.5 marks)

c) On 30 November 2022, Ms. Anis, the accounts clerk, is unsure on the treatment of the following situations. Assess whether these goods should be included in the November inventory amount and if yes, state the amount to be included.

i) On 28 November, Juicy Berhad purchase 2,000 bottles of orange juice at the cost of RM6.60 per bottle on FOB shipping point. Goods were received on 1 December.

ii) On 29 November, Juicy Berhad has 1,000 bottles of orange juice on consignment in PP Supermarket. The cost per bottle of orange juice is RM6.70. (4 marks)

(Total: 25 marks)

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QUESTION 2

Cloud Company owns the following securities portfolios. The company holds the securities in Colour Berhad and Dazzle Corporation for significant influence or control over the investees, whereas Cloud Company has no influence in Blue Wave Company. Below are the ownership percentages, held as short-term investment as of 1 January 2021, as well as transactions that occur in the year 2021:

Securities	**Blue Wave Company (18%)**	**Colour Berhad (A%)**	**Dazzle Corporation (B%)**
Number of shares held by Cloud Company	125,000	280,500	341,100
Cost	RM1,062,500	RM832,000	RM1,938,000

Date	**Transactions**
Apr 1	Sold 20,000 shares of Blue Wave Company's ordinary shares for cash at RM8.60 per share, less brokerage fees of RM3,600.
Sep 30	Received cash dividend RM0.85 per share in Dazzle Corporation.
Nov 28	Colour Berhad declared and paid dividend for the year amounted to RM622,500.
Dec 1	Received cash dividend RM1.20 per share in Blue Wave Company.
Dec 31	The companies reported the following net profit: i) Blue Wave Company – RM1,285,900 ii) Colour Berhad – RM1,429,700 iii) Dazzle Corporation – RM899,300

During the year, Cloud Company also invested in the following new securities:

Date	**Transactions**
Jan 1	Purchased 20% of Horizon Berhad's 620,000 outstanding shares at a cost of RM2.80 per share using cash. However, Cloud Company does not have significant influence over Horizon Berhad.
Mar 1	Purchased 920, 6%, RM1,000 Art Corporation bonds for RM920,000 plus brokerage fees of RM4,140 using cash.
Jun 30	Horizon Berhad declared and paid a cash dividend of RM0.70 per share for the year 2021. 50% of the cash dividend will be paid out on 30 June and the remaining on 31 December 2021. *(Show your workings)*
Jul 1	Sold 15% of the bonds in Art Corporation for RM140,000, less brokerage fees of RM3,000.
Nov 4	Cloud Company sold 35% of its shares in Horizon Berhad at RM3.30 each, less brokerage fees of RM1,800. *(Show your workings)*
Dec 31	Horizon Berhad reported net profit of RM772,000 for the year.
Dec 31	Accrued the interest on Art Corporation's bonds. *(Show your workings)*

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As at 31 December 2021, the fair values of the securities are as follows:

Securities	Fair value per share
Horizon Berhad (Non-Trading securities)	RM3.10
Blue Wave Company (Trading securities)	RM8.30
Colour Berhad	RM3.50
Dazzle Corporation	RM5.40

Required:

a) Compute Cloud Company's percentage of ownership in Colour Berhad and Dazzle Corporation assuming that the total ordinary shares in Colour Berhad is 935,000 shares and the total ordinary shares in Dazzle Corporation is 758,000 shares. (2 marks)

b) Prepare the journal entries for the year 2021. (17 marks)

c) Prepare the adjusting entry as at 31 December 2021 to show the securities at fair value. *(Show all your workings.)* (4 marks)

d) Provide any **TWO (2)** reasons on why companies invest in security portfolios. (2 marks)

(Total: 25 marks)

QUESTION 3

Amy, Betty and Candy started a clothing trading business in Melaka, called Trendy Wear Partnership on 1 January 2021. Amy has agreed to invest her shop lot with a book value of RM120,000 and a fair value of RM150,000 with a mortgage of RM40,000. Betty contributes as part of her investment, accounts receivables RM85,000; an allowance for doubtful account of RM3,000 and RM20,000 cash. Candy invested six units of equipment with a book value of RM15,000 per unit and RM35,000 cash. The partners agreed that the fair value for each equipment is only RM12,000.

During the year, Amy made a drawings of RM8,000 to pay for her son's tuition fees. The partnership reported a net income of RM206,850 for the year 2021.

The partnership agreement also states the followings:

i. As Betty and Candy are actively managing the business, they will each receive RM4,000 salary allowance per month while Amy will only receive 30% of Betty's and Candy's salary amount as she does not participate actively in the management.
ii. Interest allowance of 5% on capital balances at the beginning of the year.
iii. The profit and losses sharing ratio for Amy, Betty and Candy are 25%, 40% and 35%, respectively.

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Required:

a) List and explain any **TWO (2)** of the characteristics of partnerships to Amy, Betty, and Candy. (3 marks)

b) Prepare the journal entries to record the partners' initial investments. (5 marks)

c) Prepare a schedule to show the distribution of net profit. (8 marks)

d) Compute all the partners' capital balance as at 31 December 2021. (5 marks)

e) On 1 January 2022, Amy decided to leave the partnership and the partnership paid her RM130,025. Prepare the journal entry to record the withdrawal of Amy. (4 marks)

(Total: 25 marks)

QUESTION 4

PART A

Space Company specialises in providing space theme parties and they prepares their financial statement quarterly. Following are the selected transactions of the company for the year 2022:

Jan 7	Received RM8,000 cash deposit per party for four parties that the company is going to organise in the coming months.
Mar 1	Purchased party equipment from Spark Berhad by paying RM18,050 with a cheque and signing a 8%, 4 months, RM31,950 note.
31	Accrued interest on Spark Berhad note.
May 12	Purchased party merchandise on account from Joy Supplies Sdn. Bhd. amounting to RM66,000.
Jun 30	Accrued interest on Spark Berhad note.
Jul 1	Paid the face value and interest on Spark Berhad note in cash.
Aug 15	Successfully organised two parties and earned 100% of the deposits received for that two parties on 7 January. The company also completed the preparation for another party and earned 60% of the deposit received for that party.
Sep 30	Due to time constraint, the accounts manager was unable to pay the monthly salaries to the five employees. Each employee receives RM2,100 salaries and the payment will be made on October 3.
Oct 3	Paid salaries to the employees in cash.
Nov 23	Sold merchandise and received a cheque totaling RM9,222, including 6% sales tax.
30	Paid LHDN in cash for the sales tax collected on 23 November.

Required:

Prepare the journal entries for the above transactions. (13 marks)

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PART B

Given below are the comparative Statements of Financial Position of Beep Bob Corporation for the year 2020 and 2021. The net credit sales for Beep Bob Corporation for the year 2021 is RM1,255,600. Cost of goods sold is 62% of the net sales.

Beep Bob Corporation
Comparative Statements of Financial Position
as at 31 December

	2021	2020
	(RM)	(RM)
Property, Plant and Equipment		
Land and Building (net)	680,000	680,000
Furniture and Fittings (net)	325,000	275,000
Current Assets		
Inventories	373,000	391,000
Trade Receivables	208,000	174,000
Cash	370,000	355,000
Total Assets	RM1,956,000	RM1,875,000
Current Liabilities		
Trade Payables	133,000	135,000
Notes Payable	-	85,000
Shareholders' Equity		
Ordinary Shares of RM1 per share	1,020,000	950,000
Retained Profit	803,000	705,000
Total Liabilities and Shareholders' Equity	RM1,956,000	RM1,875,000

Required:

a) Compute the inventory turnover ratio in days for the year 2021. Comment on Beep Bob Corporation's performance assuming that the industry average is 110.61 days. (5 marks)

b) Compute the acid test ratio for the year 2021. (2 marks)

c) Prepare a horizontal analysis of the Current Liabilities and Shareholders' Equity section of the Statement of Financial Position data by using 2020 as a base year. (5 marks)

(Total: 25 marks)

End of Paper